Inflation control Change on Day policy - 16.89 - 456.05 underlined

ES

nchanged: 1120

Flotation Price Yesterday

100

100

100

100

100

100

100

100

lay: Apr 2

ige rate

36

113 -67 465 -15

101 -13

168 +2

167 +3

141 +2

137 -3

157 -1

174 +4

167 -2

169

Trice Index (1983 = 100)

9.8(+0.3pc) + 3.0pc

107.5(-0.4pc) + 2.4pc

154

- 6 538 30 -5 329 -7 DISAPPOINTING money and banking figures provided the backdrop yesterday to yester day's Budget speech which once more emphasised the central importance of monetary policy in the control of infla-tion, while ruling out direct controls on credit.

John Major announced that he would continue to target narrow money growth, setting the same range of 1 to 5 p.c. for next year that has applied to the current financial year.

the current financial year.

However, he admitted that it would be "some months" before the target figure was likely to be met, with the latest evidence from the Bank of England revealing an acceleration in narrow money growth between January and February, from 5-8 to 6-4 p.c.

Narrow money, or M0, is

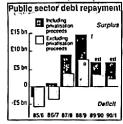
ary, from 5-8 to 6-4 p.c.

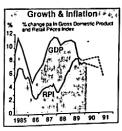
Narrow money, or M0, is believed to provide a fairly accurate guide to the amount of cash circulating in the economy and thus available for spending in the shops and the, latest rise supports other direct evidence of a pick-up in high street sales high street sales

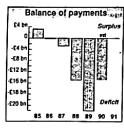
high street sales.
However, officials warned yesterday that the figures should be treated with caution as much of the acceleration between January and February was due to a recovery in bankers' balances.
In his Budget a year ago, Mr Lawson planned to ratchet down the upper limit for narrow money growth to 4 p.c. but this was clearly seen as too ambitious a target given the failure so far of narrow money to perform according to plan.
Over the past year, the

Over the past year, the amount of new credit made available by both banks and building societies has increased by £88-6 billion, or 20.7 n.g. to £518 billion









Sterling faces pressure as Major fails to please

By Anne Segall

THE CITY was bracing itself last night THE CITT was bracing itself last ingit for further downward pressure on sterling in the wake of a Budget which was described by leading economists as "disappointing" because of its failure to tackle inflation through a genuine tightening of fiscal policy.

The decision by the Chancellor, John Major, to take less than £500m net out of the economy through higher taxes came as a surprise, as did the decision to index duties fully. The fear in the City is that higher duties will give the inflation index an unwelcome boost when it is already under pressure from the poll tax and recent mortgage rate rises and that this risks provoking another round of aggressive pay

demands Gerard Lyons, chief economist of Dai-Ichi Kangyo Bank said: "The Chancellor has done nothing to address City worries about inflation even though he has at least tried to address the funda-mental problem of low savings."

"This leaves sterling looking very vul nerable and provides little scope for interest rates to fall."

There was disappointment at the Chancellor's easy acceptance of a declining fiscal surplus which City economists believe represents a funda-



mental change of emphasis in government policy, away from maintaining downward pressure on public spending. The surplus is expected to be more than halved to £7 billion this year, down from £14.5 billion a year ago and well below the £12.5 billion surplus forecast by Mr Maior in his autumn statement.

Whereas past Chancellors have tried to get the surplus back on track after a slippage of the kind seen over the past year, Mr Major is satisfied to simply hold it at £7 billion. That means that the surplus will decline as a proportion of gross national product from 11 p.c. to just 1 p.c. which some economists argue is a sign of fiscal easing

Book of an almost stagnant economy in which inflation remains stubbornly high was described as "realistic" but did little to cheer the City. The indexing of excise duties is expected to give inflaof excise duties is expected to give infla-tion a push above 9 p.c. in the spring. Treasury forecasts show that the rate will still be stuck at more than 7 p.c. in the final quarter, although they hold out the prospect of a fall to 5 p.c. only in the first half of next year.

Some economists believe that although Mr Major is taking a risk with inflation and sterling, he was right to avoid shocking the economy into recession. According to Richard Jeffrey of stockbrokers Hoare Govett, "this is the right Budget for this stage of the economic cycle".

"It would have been a mistake to go for a very tight Budget because of the danger of provoking workers into trying to recoup what they lose in tax through higher pay demands.

The emphasis on keeping interest rates high, though designed to ward off further selling of sterling, failed to reassure financial markets and by late yes-terday investors in New York had already given the Budget the thumbs down, pushing sterling down by a full cent to \$1.6012 in late London trading.

Shares no owned b 11m peop

ABOUT 24 p.c. of the tion—11m people—no shares according to a commissioned by the Exchange and Treasu was quoted in the Budge

Two years ago, 8-5m held shares but the National issue and way vatisations boosted own last year.

Capital loss

LENDERS of qualifying rate bonds are to be allestablish capital losses part or all of the loan is i erable. Qualifying conbonds are exempt from gains tax and until now talso meant that capital cannot be established.

Relief on si

TAX RELIEF is to be duced for expenditure paring and making good fill sites for waste dit This relief will be avail-operations after April 6.

End to peri

AN end to VAT relief fo panies on accommodativided for directors w. nalled by the Chancellon grounds that it represent unjustified, generous pesaid the Government is a gring golden single of the control of the ering ending similar re accommodation com provided for employees

More flexib

PROPOSALS to replace for capital allowance group tax relief by com with an improved syster outlined in the Budget.

The changes are desir give groups of comp greater flexibility in rand using capital allectaims as well as simulative processive proc

Picture PHILIPHOLLIS

86-0

247-78-248-25

15.4pc